Ministry of
Natural Gas Development
and Minister Responsible for Housing

2016/17 – 2018/19
SERVICE PLAN

February 2016

BRITISH
COLUMBIA

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Minister
Accountability Statement

The Ministry of Natural Gas Development's *2016/17 - 2018/19 Service Plan* was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which the plan has been prepared.

Honourable Rich Coleman

Minister of Natural Gas Development and Minister Responsible for Housing
February 5, 2016

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Purpose of the Ministry

The purpose of the Ministry of Natural Gas Development and Minister Responsible for Housing is twofold:

1. To guide responsible development and ensure maximum economic benefits to British Columbians from the province's natural gas resources[1], new export markets related to interprovincial pipelines, oil projects and value-added natural gas products, and the province's next new major industrial sector—that of liquefied natural gas (LNG); and
2. To provide British Columbians with access to safe, affordable and appropriate housing through policy and programs, technical codes and standards, and services for landlords and tenants.

The Ministry's stakeholders are the citizens of British Columbia and their representatives at all levels of government, First Nations, community groups, non-profit societies, schools, service organizations, private sector companies, project proponents, and environmental and industry associations. Key to the Ministry's success is its ability to maintain strong, collaborative relationships with stakeholders, partner agencies and other levels of government.

The Ministry is responsible for two Crown Corporations, the BC Housing Management Commission and the Oil and Gas Commission.

[1] While the Ministry's mandate is focused on natural gas, the primary hydrocarbon currently produced in British Columbia, it also includes other hydrocarbons produced in British Columbia, such as natural gas liquids and crude oil.

Strategic Direction and Context

Strategic Direction

Minister Coleman's Mandate Letter from Premier Christy Clark, dated July 30, 2015, includes key deliverables relating to natural gas production, LNG and housing policy.

The Government's strategic priority of a strong economy is directly supported by Ministry Goals 1, 2 and 3, while Goals 4 through 6 support the strategic priority of a Secure Tomorrow. The Ministry supports the direction in the Taxpayer Accountability Principles for an accountable and cost conscious culture.

Strategic Context

B.C. is in the fortunate position of having significant shale and other natural gas deposits. Despite low North American natural gas prices, B.C.'s pipeline supply of marketable natural gas to both domestic and US markets rose to 43.9 billion cubic metres in 2014/15, up from 39.3 billion cubic metres in 2013/14. Conversion of natural gas to a liquefied state (LNG) allows it to be transported by truck, rail or ship. In B.C., production of LNG will open up additional domestic and export markets, such as the growing market for natural gas in Asia. B.C. has many advantages for companies seeking to establish LNG facilities: vast supply, proximity to Asia, a skilled workforce and a stable business environment. The Province continues to work with selected LNG proponents to finalize Project Development Agreements, and passed legislation to initiate the first Long Term Royalty Agreement in 2015, thereby providing stable royalty rates for natural gas producers.

Most of B.C.s' housing needs are served through the private market. The application of consistent building requirements across B.C. improves building safety and performance. With approximately 1 million British Columbians now living in strata properties, and with stratas making up more than half of new residential construction, the need to ensure effective strata regulation and self-governance is essential. Rental housing is home to 30 per cent of households in B.C. and continues to face challenges. In the past 30 years, new rental accommodation has been lacking and insufficient new rental housing is being built, which has contributed to low vacancy rates and high rents in B.C. Much of the purpose-built rental stock is aging and in need of repair. Rental stock is also being lost, typically to redevelopment or through conversion to strata units, which further exacerbates the problem. In this strained market environment, vulnerable B.C. citizens need additional support to find safe and secure housing. Particularly affected groups include low to moderate income seniors, and families with children, as well as northern communities facing housing challenges related to resource development and rapidly changing markets. In 2014/15, more than 102,500 households in B.C. received subsidized housing assistance, including over 29,500 low-income households receiving rental assistance in the private market. This accounted for approximately six per cent of all housing in the province. The Ministry is continually working with local government and other key stakeholders to develop initiatives to increase and maintain the supply of affordable housing.

Goals, Objectives, Strategies and Performance Measures

The Ministry's goals have remained unchanged since its *2015/16 – 2017/18 Service Plan*. One new addition is Performance Measure 3, which replaces the annual investment measure from 2015/16. This new measure is an indicator of the relative annual investment in natural gas and oil exploration and development in B.C. as a percentage of overall investment in Canada.

Goals 1 through 3 and their associated measures directly support the Government's strategic priority of a strong economy and the *BC Jobs Plan*. Goals 4 through 6 support the Secure Tomorrow strategic priority. The Ministry continues to support its two sector strategies released in 2012: *British Columbia's Natural Gas Strategy* and *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, as well as *Housing Matters BC*.

Ministry goals support the Taxpayer Principles of Cost Consciousness by providing services as efficiently as possible, and Service by focusing on outcomes for B.C. citizens. Goals 4 through 6 support the principle of Respect through partnerships in service delivery.

Goal 1: A globally competitive Liquefied Natural Gas export industry in B.C. that supports a prosperous economy and benefits all British Columbians.

Objective 1.1: B.C. is recognized as a globally competitive jurisdiction for LNG investment.

Strategies

- Implement a competitive fiscal and policy framework that supports LNG investment in B.C.
- Work with LNG project proponents to secure signed Project Development Agreements that will lead to financially secure arrangements for both LNG developers and taxpayers.
- Work with the Ministry of Aboriginal Relations and Reconciliation and the federal government to develop specific First Nations negotiation mandates along the pipeline corridors, LNG plant locations and marine traffic routes in order to facilitate rapid investment in LNG facilities.
- Work with the Ministry of Forests, Lands and Natural Resource Operations to ensure that Crown land disposition processes support LNG investment and the development of linear infrastructure, including pipelines, roads and electricity required for new LNG facilities.
- Work closely with the Ministry of Jobs, Tourism and Skills Training, and the federal government, where appropriate, to develop and implement programs that address skills gaps and meet the labour needs of the LNG and natural gas sectors.

- Work with BC Hydro to ensure an adequate supply of clean, affordable electricity is available from the grid to support new investments in LNG, and in electrification opportunities to support upstream natural gas and oil exploration and development.
- Build global investor awareness through inbound and outbound international trade missions and the LNG in BC International Conference.

Performance Measure 1: LNG Power Supply Agreements.

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Cumulative number of power supply agreements reached with proponents for LNG compression and/or ancillary power requirements	1	2	3	4	5

Data Source: Ministry of Natural Gas Development internal tracking documents.

Discussion

LNG facilities require large amounts of energy, both for compression and ancillary purposes, which typically come from grid power or self-generated power (using natural gas turbines) or a combination of both. Accordingly, electricity supply and grid interconnection agreements must be in place before final investment decisions on LNG projects can be made. The number of power supply agreements for LNG facilities reached is a key measure of provincial progress towards the establishment of a thriving, competitive LNG industry that is environmentally and socially responsible. The Ministry expects to conclude one electricity supply and grid interconnection agreement in each of the next three years. This is a cumulative total, and because the industry is in its early stages, no benchmark is available for this performance measure.

Performance Measure 2: Project Development Agreements.

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Cumulative number of Project Development Agreements completed	1	3	5	6	7

Data Source: Ministry of Natural Gas Development internal tracking documents.

Discussion

The Province intends to enter into Project Development Agreements with project proponents in order to provide certainty for LNG development with respect to those costs within provincial jurisdiction. These agreements will provide proponents with long-term certainty about the fiscal and policy framework that will apply to their projects once they have reached a final investment decision and proceed with construction. The agreements cover a range of matters including B.C.'s LNG Income Tax, B.C.'s Corporate Income Tax and Carbon Tax, municipal taxes, B.C. greenhouse gas emissions

benchmark, upstream benefits, and representations regarding B.C.'s positions on skills and jobs training, engagement with First Nations, and federal-provincial issues.

Objective 1.2: A robust regulatory framework that supports environmentally and socially responsible LNG development in B.C.

Strategies

- Continue to work with the Environmental Assessment Office, the Oil and Gas Commission and other provincial, federal and municipal regulators, to ensure streamlined, integrated and robust regulatory and permitting processes.
- In consultation with the Climate Action Secretariat and the federal government, implement world-leading GHG emission benchmarks that ensure British Columbia LNG facilities are the cleanest in the world, while providing strong incentives for the use of clean energy from the BC Hydro grid.
- Work with the Ministry of Environment and, in consultation with the federal government, implement air emission standards and interim ambient air quality objectives that protect health, are consistent with leading jurisdictions and encourage clean LNG facilities.
- Work with First Nations, communities and the federal government to ensure best practic[illegible] are in place to guide marine traffic and the safe shipment of LNG to export markets.
- Work with the federal government and the Port of Prince Rupert to ensure that the regulation of LNG facilities and related pipeline projects on federal lands in the Port of Prince Rupert occurs in substantially the same manner as other projects in the Province.

Objective 1.3: British Columbians understand and benefit from the economic and social opportunities of responsible energy development in B.C.

Strategies

- Work with the Ministry of Finance to prepare legislation to enact B.C.'s Prosperity Fund for introduction in the Spring 2017 Legislative session.
- Engage with British Columbians regarding the LNG opportunity through a variety of outreach activities such as face-to-face energy education forums, and print and digital media.
- Work with the Ministry of Aboriginal Relations and Reconciliation and B.C. First Nations to ensure they understand and are able to participate in the economic development opportunities available through the creation of a new LNG industry in the province.
- Build relationships and work collaboratively with key communities and stakeholders to prepare for the emerging economic and social opportunities created by a new LNG industry.

Goal 2: A competitive upstream natural gas sector[2] that creates jobs, revenue and economic growth.

Objective 2.1: B.C.'s upstream sector is attractive for investment and B.C.'s natural gas is the input of choice for LNG development.

Strategies

- Continuously improve geological and resource assessments for natural gas and oil, through collaboration with industry, industry associations, and academic and research institutes.
- Continue to support the development of upstream infrastructure.
- Continue to monitor and adapt British Columbia's natural gas and oil fiscal and regulatory frameworks to ensure they are competitive.
- Improve the competitiveness of B.C.'s upstream sector by providing leadership, information and new policies, regulations and programs, and modernizing tenure legislation.

Objective 2.2: Optimal revenue from the development of B.C.'s upstream natural gas and oil resources.[3]

Strategies

- Continue to hold monthly Crown natural gas and oil rights sales.
- Optimize royalty programs to create a competitive environment and generate Crown revenue.
- Maximize the amount of B.C.'s natural gas that feeds the LNG export plants to ensure B.C. receives maximum value for its natural gas resource.

Performance Measure 3: Relative annual investment in natural gas and oil exploration and development, B.C. as % of Canada.

Performance Measure	2012/13 Baseline Actual	2014/15 Actual	2015/16 Estimate	2016/17 Target	2017/18 Target	2017/18 Target
Relative annual investment in natural gas and oil exploration and development, B.C. as % of Canada[1]	13.1%	15.6%	14.0%	14.6%	15.2%	15.8%

[1] Data Source: Ministry of Natural Gas Development, based on Canadian Association of Petroleum Producers data for actuals and estimates for previous years. All data is only available and provided by calendar year.

[2] The upstream sector includes searching for potential underground natural gas and oil, disposition of the rights to develop the underground resource, drilling of exploratory wells, and subsequently drilling and operating the producing wells.

[3] Optimal revenue is defined as the fairest and best return that can be collected by the Crown for the use of publicly owned resources under prevailing economic, environmental and social conditions.

Discussion

Investment in upstream natural gas and oil exploration and development consists of industry expenditures on resource rights acquisition, geophysical and geological surveys, exploration and production wells, field equipment (such as gathering pipelines) and processing plants. The past several Service Plans had a different performance measure on competitiveness which used annual investment in upstream natural gas and crude oil, an absolute measure of B.C. alone. The previous measure could be seriously affected by North American natural gas price movement. It was also subject to overall natural gas and crude oil price movements when they move in tandem, such as in the current down price-cycle facing both commodities, and also relative price movements between natural gas and crude oil. The Ministry has little to no control on natural gas and crude oil price movements in North America. Some provinces like B.C. have mainly natural gas resources, while Saskatchewan has mainly oil resources. Alberta, the largest producer of both crude oil and natural gas respectively, has more equal endowments of oil and natural gas resources.

This new metric measures relative investment in upstream natural gas and oil, as measured by B.C. as percentage of Canada. This is an improvement in measuring investment competitiveness as it is not subject to North American natural gas price movement. It also is superior as it is not impacted by natural gas and crude oil price movements when they move in tandem. However this relative measure, like the previous absolute measure of investment measured in billions of dollars per year, can still be impacted by changes in the relative price between crude oil and natural gas. The measure includes combined investment in both oil and natural gas.

Based on commodity price forecasts and LNG-related upstream activity, the Ministry expects a gradual increase in relative annual upstream investment which is expected to accelerate once LNG exports begin. The baseline of relative upstream investment in B.C. as a percentage of Canada is based on actual investment in 2012.

Objective 2.3: Responsible upstream natural gas and oil development.

Strategies

- Work with the Ministry of Finance to prepare recommendations on the creation of a new clean infrastructure credit program.
- With other government agencies, continue to study the effects of natural gas and oil development on environmental and social values.
- Complete the Carbon Capture and Storage regulatory framework and work with industry to identify carbon sequestration projects and opportunities for carbon dioxide use in enhanced oil recovery.
- Work with the BC Oil and Gas Commission to continue to ensure that the use of hydraulic fracturing in natural gas and oil extraction meets the highest standards in the world.
- Develop and implement new legislation, regulations and programs that support the responsible development and use of natural gas and oil resources.
- Work with the BC Oil and Gas Commission and other provincial ministries to respond to increasing economic activity by delivering sound, timely decisions on natural gas and oil, LNG, and related water, Crown land and other permits, authorizations and tenures.

Objective 2.4: Engaged stakeholders, communities and First Nations working collaboratively in Northeast B.C.

Strategies

- Engage with local governments regarding upstream development activities in Northeast B.C.
- Continue to collaborate with other ministries, agencies and Crown corporations to promote greater public understanding of the exploration and development of natural gas and oil resources.
- Foster working relationships among industry, the public, First Nations and landowners by clarifying and simplifying natural gas and oil resource exploration and development management processes, enhancing dispute resolution methods, and offering more support and information.
- Support the development and continuous improvement of Strategic Engagement Agreements, other consultation agreements, and Revenue Sharing Agreements with First Nations.
- Continue to work collaboratively with the Ministry of Aboriginal Relations and Reconciliation to build effective business development relations with First Nations.

Goal 3: Increased responsible export of energy resources, new markets opened and related infrastructure projects that benefit British Columbians.

Objective 3.1: A common oil and gas vision for B.C. and Alberta related to exports and opening new markets.

Strategies

- Act as the main Government liaison with Alberta regarding oil.
- Develop recommendations and action plans that benefit B.C.
- Support the Major Investment Office in discussions with potential energy project investors and continue to explore and develop B.C.-based opportunities for value-added natural gas developments.
- Continue to work closely with the BC Oil and Gas Commission.

Objective 3.2: B.C.'s "five requirements" for heavy oil pipelines and related infrastructure are addressed.[1]

Strategies

- Work collaboratively with other provincial and federal government agencies to address the "five requirements" and the roles that each agency will play.
- Act as the Government's point of contact and key liaison on proposed interprovincial oil transmission pipelines in B.C.'s coast.
- Work with the Ministry of Environment to participate in the federal environmental review of the Kinder Morgan Trans Mountain Pipeline Expansion and ensure that the project meets our Five Requirements for considering support for heavy oil projects in B.C.
- Continue to lead the B.C. Oil and Gas Major Projects Team as the forum for ensuring timely access to information and knowledge sharing amongst government officials and coordinating provincial review of National Energy Board regulated projects.

Goal 4: Healthy buildings, strong communities.

Objective 4.1: Clear, effective and balanced building and safety standards and governance frameworks.

Strategies

- Support an effective governance framework for the building regulatory system through continued implementation of BC's new Building Act.
- Provide provincial guidance and expert evaluation of innovative building solutions.
- Review the *Safety Standards Act* to provide continued effective governance framework for technical systems, equipment and industries.
- Lead sector specific engagement and plan for implementation of B.C.'s proposed Climate Leadership Plan.
- Implement regulatory changes that will enable Consumer Protection BC to oversee home inspectors in British Columbia.

[1] The "five requirements" are contained in the Premier's policy paper: Requirements for B.C. to Consider Support for Heavy Oil Pipelines.

Goal 5: Stable housing, increased confidence.

Objective 5.1: Modern, affordable and accessible services that promote housing stability for renters, landlords and strata owners.

Strategies

- Reduce red tape by streamlining and simplifying processes and regulatory requirements for tenants and landlords.
- Continue to transform Residential Tenancy Branch processes to enhance services and meet growing and evolving demand.
- Implement an accessible, cost-effective dispute resolution system for strata property owners.

Performance Measure 4: Residential tenancy dispute resolution requests.

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Number of residential tenancy dispute resolution requests per 1,000 British Columbia adult population (over age 19)	6.0	5.9	5.8	5.7	5.6

Data Source: Targets for this measure are derived from records of dispute resolution requests to the Ministry's Residential Tenancy Branch and BCStats population projection data. The measure includes only those British Columbians over age 19 because of the age group categories used by BCStats.

Discussion

This measure reflects the number of applications received for formal dispute resolution services. A reduction in the number of requests for dispute resolution over time is expected to result from service improvements that include increasing access to information and resources for landlords and tenants, ensuring that enquiries and requests are addressed in a timely manner and supporting the prevention and early resolution of disputes between landlords and tenants. About one-third of all B.C. households are rental households. As the B.C. population increases every year, so too does the number of tenancies. Tying the number of dispute resolution requests to the adult population provides a comparable measure across fiscal years.

Goal 6: Committed partnerships, greater choice.

Objective 6.1: Strategic partnerships that increase housing options, decrease costs and promote effective, coordinated programs for all British Columbians.

Strategies

- Continue to implement Housing Matters, the provincial housing strategy, to ensure citizens are able

to find housing that meets their needs across British Columbia

- Facilitate the redevelopment and renovation of existing social housing.
- Review the results of the community consultation and visioning process on future uses of the Riverview Lands and make recommendations on potential options.
- Partner with the non-profit sector, local governments and developers to leverage innovative models for building, maintaining and funding social housing, and housing the homeless in private rentals.
- Facilitate partnerships with, and provide education to, local government and community agencies to encourage infill and higher-density development.
- Collaborate with our provincial, territorial and federal partners to develop long-term solutions to issues of affordable housing in Canada.

Performance Measure 5: Number of households benefiting from affordable housing programs.

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Number of households that benefit from provincial affordable housing programs	102,500	103,000	104,000	104,500	105,000

Data Source: BC Housing total households served.

Discussion

This measure is an indicator of the total number of households that benefit from subsidized housing programs each year. This includes shelters and housing with supports for those who are homeless; housing that meets the cultural needs of Aboriginal peoples; transition housing and supports for women and children fleeing violence; and assisted living and wheelchair accessible apartments for seniors and people with disabilities. This also includes an increased emphasis on rent supplements that help to connect people who are homeless to stable housing and also keep private market rents affordable for families and seniors.

Resource Summary

Core Business Area	2015/16 Restated Estimates[1]	2016/17 Estimates	2017/18 Plan	2018/19 Plan
Operating Expenses ($000)				
Upstream Development	12,524	12,546	12,627	12,690
Liquefied Natural Gas	6,063	6,341	6,351	6,332
Oil and Strategic Initiatives	1,015	1,015	1,023	1,028
Executive and Support Services	4,270	4,316	4,319	4,316
Housing	408,393	414,598	420,129	421,675
Housing Endowment Fund	12,000	14,104	12,884	12,884
Total	**444,265**	**452,920**	**457,333**	**458,925**
Ministry Capital Expenditures (Consolidated Revenue Fund) ($000)				
Executive and Support Services	1	1	1	1
Total	**1**	**1**	**1**	**1**
Capital Plan ($000)				
Housing Capital Fund	14,969	20,650	15,063	18,829
Total	**14,969**	**20,650**	**15,063**	**18,829**

Other Financing Transactions ($000)				
Oil and Gas Commission Receipts	(29,740)	(32,617)	(33,871)	(35,482)
Oil and Gas Commission Disbursements	29,740	32,617	33,871	35,482
Net Cash (Requirements)	0,000	0,000	0,000	0,000
Total Receipts	**(29,740)**	**(32,617)**	**(33,871)**	**(35,482)**
Total Disbursements	**29,740**	**32,617**	**33,871**	**35,482**
Total Net Cash Source (Requirements)	**0,000**	**0,000**	**0,000**	**0,000**

[1]For comparative purposes, amounts shown for 2015/16 have been restated to be consistent with the presentation of the 2016/17 Estimates.

*Further information on program funding and vote recoveries is available in the Estimates and Supplement to the Estimates."